

I ask you to consider the quiet heroes like Don Wacks and the many thousands like him deserving of our respect and gratitude for making this country great. After all, where would we be without America's many quiet heroes?

HONORING THE DISTINGUISHED
CAREER OF DR. GORDON PETTY

HON. BART GORDON

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 4, 2002

Mr. GORDON. Mr. Speaker, I rise today to recognize the outstanding career of Dr. Gordon Petty, who has served his community of Smith County, Tennessee, with dedicated passion. Dr. Petty opened the first licensed hospital in Smith County in 1951 and practiced as a physician in his hometown for 50 years before retiring.

Dr. Petty's life is a perfect example of what it means to give back to your community. He graduated from Smith County High School in 1938 and received a degree from Cumberland College in 1941. He then served in the United States Navy as a communications officer on-board a destroyer during World War II. He continued to serve in the Naval Reserve for a number of years after World War II and also received a medical degree from Vanderbilt University in 1950.

During Dr. Petty's professional career, he served on a number of medical boards and associations, including the American Medical Association, the Tennessee Medical Association and the Board of Trustees of Smith County Memorial Hospital. He also participated in a variety of civic organizations, which included the Carthage Lion's Club, the Carthage Town Council and the Board of Directors of Citizen's Bank.

Dr. Petty's grit and determination to serve his country, his patients and his community are admirable and a testament to his exemplary life. I cordially congratulate Dr. Petty for serving each with dignity, honor and compassion. I also wish him the very best in his well-deserved retirement.

ANDREW S. GROVE URGES RESPONSIBLE CORPORATE REFORMS BUT AVOID STIGMATIZING BUSINESS

HON. TOM LANTOS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 4, 2002

Mr. LANTOS. Mr. Speaker, during the past few months our nation has watched in shock and dismay as a growing number of corporations have fallen into disrepute and many have been thrown into bankruptcy because of corporate financial fraud or unethical practices. The scandal has rightfully provoked public outrage, and Congress has taken up new legislation to stem the further erosion of public trust in our capital markets. As Members of Congress prepare to enter into negotiations over a conference report on corporate governance and accounting reform legislation, I call to the attention of my colleagues a particularly in-

sightful article by Andrew Grove, Chairman of Intel Corporation.

Mr. Grove—a former Time Magazine “Man of the Year”—grew up in communist Hungary, where he experienced stigmatization and prejudice as the son of a businessman. After completing his Ph.D. at the University of California, Berkeley, Mr. Grove joined the Research and Development Laboratory of Fairchild Semiconductor. In 1968 he became one of the founders of Intel Corporation. Since then he has continued to play a key role in the growth and success of the company, serving as President and CEO and today as Chairman of the Board.

In an article published in the Washington Post (July 17, 2002) entitled “Stigmatizing Businesses,” Mr. Grove points out that the current rush to judge and condemn all corporate executives without discrimination in our country has made him feel like he was back in communist Hungary, where businessmen were distrusted and stigmatized.

Mr. Speaker, I urge my colleagues—and all Americans—to give heed to Mr. Grove's thoughtful insight. We must understand that while there has been corruption among far too many companies, this does not justify the vilification of the entire private sector or of every business executive. As Mr. Grove indicates in his article, the best way to tackle this issue is through corporate reform and ensuring a separation of powers between the chairmen, the board of directors, the CEO, the CFO, and accountants, and all street analysts. Once these positions are free to operate without constraint—and are not occupied by the same person—corporations will be able to monitor themselves much more effectively and can hopefully prevent future scenarios similar to the one our country is currently facing.

Mr. Speaker, it is important that in our rush to repair the serious flaws in our system of corporate governance, that we not create other problems that could be equally damaging to our national economy. I ask that Mr. Grove's article be placed in the RECORD and I urge all of my colleagues to give attention to his thoughtful views.

STIGMATIZING BUSINESS

(By Andrew Grove)

I grew up in Communist Hungary. Even though I graduated from high school with excellent grades, I had no chance of being admitted to college because I was labeled a “class alien.” What earned me this classification was the mere fact that my father had been a businessman. It's hard to describe the feelings of an 18-year-old as he grasps the nature of a social stigma directed at him. But never did I think that, nearly 50 years later and in a different country, I would feel some of the same emotions and face a similar stigma.

Over the past few weeks, in reaction to a series of corporate scandals, the pendulum of public feeling has swung from celebrating business executives as the architects of economic growth to condemning them as a group of untrustworthy, venal individuals. I have been with Intel since its inception 34 years ago. During that time we have become the world's largest chip manufacturer and have grown to employ 50,000 workers in the United States, whose average pay is around \$70,000 a year. Thousands of our employees have bought houses and put their children through college using money from stock options. A thousand dollars invested in the company when it went public in 1971 would be worth about \$1 million today, so we have made many investors rich as well.

I am proud of what our company has achieved. I should also feel energized to deal with the challenges of today, since we are in one of the deepest technology recessions ever. Instead, I'm having a hard time keeping my mind on our business. I feel hunted, suspect—a “class alien” again.

I know I'm not alone in feeling this way. Other honest, hard-working and capable business leaders feel similarly demoralized by a political climate that has declared open season on corporate executives and has let the faults, however egregious, of a few taint the public perception of all. This just at a time when their combined energy and concentration are what's needed to reinvigorate our economy. Moreover, I wonder if the reflexive reaction of focusing all energies on punishing executives will address the problems that have emerged over the past year.

Today's situation reminds me of an equally serious attack on American business, one that required an equally serious response. In the 1980s American manufacturers in industries ranging from automobiles to semiconductors to photocopiers were threatened by a flood of high-quality Japanese goods produced at lower cost. Competing with these products exposed the inherent weakness in the quality of our own products. It was a serious threat. At first, American manufacturers responded by inspecting their products more rigorously, putting ever-increasing pressure on their quality assurance organizations. I know this firsthand because this is what we did at Intel.

Eventually, however, we and other manufacturers realized that if the products were of inherently poor quality, no amount of inspection would turn them into high-quality goods. After much struggle—hand-wringing, finger-pointing, rationalizing and attempts at damage control—we finally concluded that the entire system of designing and manufacturing goods, as well as monitoring the production process, had to be changed. Quality could only be fixed by addressing the entire cycle, from design to shipment to the customer. This rebuilding from top to bottom led to the resurgence of U.S. manufacturing.

Corporate misdeeds, like poor quality, are a result of a systemic problem, and a systemic problem requires a systemic solution. I believe the solutions that are needed all fit under the banner of “separation of powers.”

Let's start with the position of chairman of the board of directors. I think it is universally agreed that the principal function of the board is to supervise and, if need be, replace the CEO. Yet, in most American corporations, the board chairman is the CEO. This poses a built-in conflict. Reform should start with separating these two functions. (At various times in Intel's history we have combined the functions, but no longer.) Furthermore, stock exchanges should require that boards of directors be predominantly made up of independent members having no financial relationship with the company. Separation of the offices of chairman and CEO, and a board with something like a two-thirds majority of independent directors, should be a condition for listing on stock exchanges.

In addition, auditors should provide only one service: auditing. Many auditing firms rely on auxiliary services to make money, but if the major stock exchanges made auditing by “pure” firms a condition for listing, auditing would go from being a loss leader for these companies to a profitable undertaking. Would this drive the cost of auditing up? Beyond a doubt. That's a cost of reform.

Taking the principle a step further, financial analysts should be independent of the investment banks that do business with corporations, a condition that could and should